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To: Microsoft ATR
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Subject: Microsoft violated the Anti-Trust law: Why rewarding them!!!

It's sad to find out that people in charge to punish Microsoft are in fact helping them to be a dominant company in American schools.

Settlement terms could bite Apple in schools By Michael Kanellos
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November 20, 2001, 5:45 p.m. PT A proposed settlement agreement in a series of antitrust suits may not only give Microsoft a fairly inexpensive legal resolution, it may also help the company and its PC allies further erode Apple Computer's position in education.

Under a settlement proposal in a series of private antitrust lawsuits announced Tuesday, Microsoft agreed to donate approximately \$500 million to help bring technology to some of the nation's most disadvantaged schools. The deal will also allow these schools to obtain a virtually unlimited supply of Microsoft software for the next five years.

Those terms, say analysts, could hurt Apple and other software providers. Historically, education has been one of Apple's primary markets. And although the company has slipped to No. 2 in kindergarten through grade 12--behind Dell--it still has a larger installed base than anyone else.

Free software, though, is hard to pass up. Apple, as well as Linux companies and other educational software developers, could find themselves out in the cold in school districts flush with new Microsoft products.

Microsoft could wind up "undercutting everyone in the education market," Gerard Klauer Mattison analyst David Bailey said. The best-case scenario for Apple would be that Microsoft increases the overall level of PCs in schools without directly harming a company like Apple, he said.

Linux specialist Red Hat Software tried to counter Microsoft's move soon after the settlement was announced. The company said it would provide its software to every U.S. school district and encouraged Microsoft to convert the software component of the deal to increased hardware donations, which costs the company little.

"While we applaud Microsoft for raising the idea of helping poorer schools as part of the penalty phase of their conviction for monopolistic practices, we do not think that the remedy should be a mechanism by which Microsoft can further extend its monopoly," Red Hat CEO Matthew Szulik said in a statement. An Apple spokeswoman declined to comment on the issue.

The potential pain for Apple comes in the unique settlement terms. Under the deal, Microsoft will grant approximately \$500 million to help underprivileged schools create self-sustaining technology programs. Of that, \$90 million will go to teacher training, while \$160 million will go to technical support. Microsoft will also match contributions from other donors.

Additionally, Microsoft will donate approximately 1 million refurbished PCs to these schools and provide them with complimentary Microsoft software.

The donations would go to public elementary and secondary schools, at which 70 percent of students are eligible for federal meal assistance, or approximately 14 percent of the nation's schools, according to Microsoft. Approximately 12,500 schools, representing 7 million students and 400,000 teachers, would be eligible to participate in the program.

With these donations, Apple equipment becomes far less attractive to cash-strapped districts. Even if the grant funds are used to buy Apple equipment, a district would have to pass up opportunities for free software. In recent years, Apple has seen its share of the market decline because of price competition. Dell is now No. 1 in the education market, with 37 percent of new elementary and high school sales in the second quarter, according to IDC. Apple came in second, with 23 percent.

Familiarizing students with Microsoft technology could also make loyal customers out of today's students. Developing familiarity, in fact, was the basis for Apple's push into education back in the 1980s. The theory was that students would stick with the technology they understood best. While there may be some truth to this, it hasn't completely panned out in the numbers. Apple's share of the PC market is below 5 percent, far below its share in education.

Microsoft CEO Steve Ballmer denied the proposed settlement was an attempt to boost the company's share of the education market. "The benefits we provide can be used for PCs or Macintoshes," he said. "It can be used for PC software or Macintosh software. Certainly, the money can be used for non-Microsoft software, so I don't view it as some big thing about market share."

Microsoft also produces applications for Apple computers, pointed out IDC analyst Roger Kay.

Although the settlement terms will likely help Microsoft's position in education, more tangible benefits come from the relatively light terms. The company is effectively making a \$500 million charitable donation and giving away its own software to settle a case where the liability could have stretched into far higher figures.

The case in some ways is being settled for pennies on the dollar, according to Bob Lande, an antitrust professor with University of Baltimore School of Law.

The company will also likely get positive public relations messages out with the deal, said Gartner Dataquest analyst Michael Silver. "This gets Microsoft out of all these lawsuits in one fell swoop," Silver said. "It's a penalty, but it makes Microsoft look good and gives schools PCs, and in so doing would give Microsoft an even larger installed base than they already have."

Best Regards.